



Prevalence of the Total Remuneration Model for KiwiSaver

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February 2023

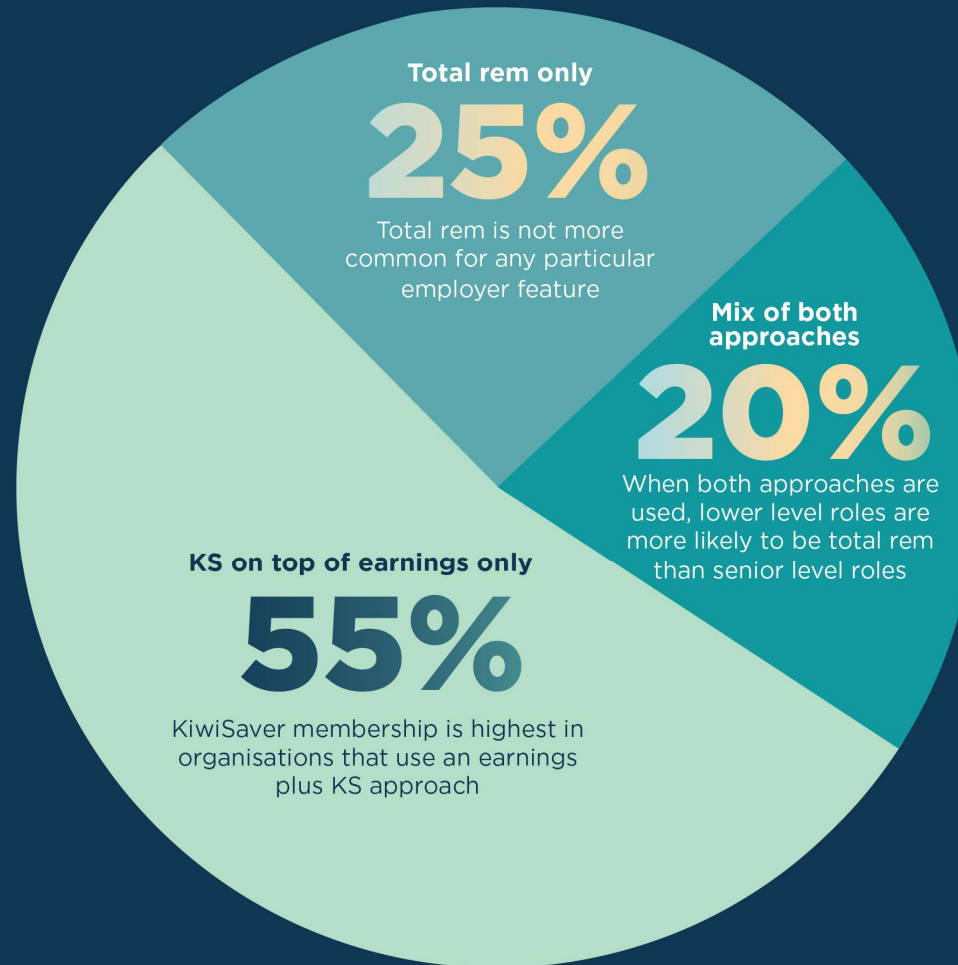


Introduction

- Employers are required to contribute a minimum of 3% of an employee's gross pay if the employee is a contributing member of KiwiSaver (unless they are already contributing to an alternative superannuation scheme).
- Some employees are not eligible to be a KiwiSaver member (e.g. non-residence work or student visa holders).
- Some employees are able to contribute to KiwiSaver but there is no obligation for employers to make a matching contribution (employees aged under 18 or 65+).
- Some non-employees (e.g. self-employed or contractors) can make voluntary KiwiSaver contributions but there is no employer matching.
- Some KiwiSaver members may opt to have a savings suspension for up to a year, where neither they, nor their employer make contributions. It is possible to have multiple suspensions over the course of a person's life.
- The KiwiSaver legislation requires that the employers contribution must be paid on top of an employee's earnings unless the parties agree otherwise as a result of good faith bargaining.
- In a small study from 2009, prevalence of a total rem model among SMEs was 11%. A subsequent study in 2015 revealed between 28% of employers paid senior managers using a total rem approach.
- This research was commissioned to understand how frequently a total rem approach is used now and the employers' reasons for using it.



Proportion of employers



Total rem only

25% **Why do you use only total rem?**

Simplicity 60%

Use of casual and contract employees / not required 42%

Transparency 37%

Cheaper 21%

Mix of both approaches

20% **Why do you use both approaches?**

Transparency 42%

Use of casual and contract employees / not required 40%

Fairness 34%

KS on top of earnings only

55%

Why do you use only KS on top of earnings?

Haven't considered alternative 55%

Transparency 45%

40% have considered using total rem but decided against it

KS on top of earnings is more common when a greater proportion of employees are in KS



Key Takeouts

- 306 small, medium and large organisations in New Zealand completed a short online survey about their use of a total remuneration model (where KiwiSaver is included in gross salary or wage).
- **Nearly half (45%)** use a total rem model for at least some employees. 25% participating businesses only use a **total** remuneration model, while a further 20% use total rem for at least some types of employees (a **mixed** model).
- KiwiSaver membership is highest in organisations that use an earnings plus KiwiSaver remuneration model.
 - Use of a mixed remuneration model is more likely when KiwiSaver membership is below 30%.
 - However, organisations that *only* use a total rem model don't appear to be influenced by employee KiwiSaver membership.
 - Organisational age / size / type (i.e. private vs public) do not appear to influence use of a total rem model in this study.
 - General staff are more likely than senior staff to be paid using a total rem approach in organisations who use a mixed model of remuneration.
- **Simplicity** from an accounting perspective is the most common reason for those using only total-rem (60%), and 21% admit it's **cheaper** for their business.
 - Fewer mixed model users select these reasons (39% and 11% respectively)
- Transparency (39%) and fairness (34%) are commonly selected reasons for using a total rem approach at least some of the time (mixed model or total rem-only)



Key Takeouts

- Contract or casual workers who are *employed* by an organisation are just as likely to be paid with KiwiSaver contributions on top of their gross pay as other types of employees.
 - However, 31% of total rem using companies list use of contractors or casual employees as a reason for the total rem approach
- 55% don't use a total rem model because they didn't know about it, or have always used their own model.
 - 45% of those who don't use a total rem model say their own remuneration model is more transparent.
 - 18% believe an 'earnings plus KiwiSaver' model is more appealing to potential/current employees
- However 40% of 'earnings plus KiwiSaver' users have considered using a total rem model.
 - 88% of considerers select contractual or legal considerations as a reason they decided not to.
- Our results are consistent with the prevalence of total rem policies noted in 2015 (where 28% used total rem for senior management).
 - However, it is not clear in that study whether use of a total rem model was used for all employees or just some.
 - Our study reveals that exclusive use of a total rem model is about the same (25%) as that recorded in the 2015 study. However, if occasional use is also included, we see a significantly greater use of a total rem model (increasing to 45%).



Potential follow up areas

The question arises – does use of total rem impact KiwiSaver use by employees?

- The impact of total rem would likely only be observed when an employee's contract changes (by seeing whether they take a savings suspension when they go to a total rem package). A survey of the general public could explore their understanding of how employer contributions work, and examine whether those who have KiwiSaver included in their gross salary/wage have taken a savings suspension as a result. (Employers are less likely to hold such information).
- Businesses that use an exclusively total rem approach appear to have a fundamentally different attitude to employer contributions (since KiwiSaver membership is not seen to influence use among these businesses). There is no indication in the current study that smaller companies are more likely to use a total rem approach. Similarly, organisational size or type are not associated with any differences in use of total rem. Future research could explore why total rem users perceive the model to be simpler from an accounting perspective, or more transparent to employees. Anecdotally, transparency & simplicity may relate to clarity for the employer regarding total cost per pay period.
- Finally, use of contractors is a reason given for using a total rem approach. Further research is needed to understand whether the grey area of contracting vs employee is resulting in lower incentivization for contractors/employees to contribute.





Methodology

- A short self-completion survey was distributed online to the HR Management or C-Suite personnel in organisations throughout Aotearoa.
- All participants needed to have at least shared responsibility for deciding on remuneration packages for employees
- Organisations with none or one employee were excluded from the survey.
- A total of 306 surveys were completed:
 - Small (2-20 employees) = 194
 - Medium (21-100 employees) = 91
 - Large (100+ employees) = 21
- SMEs make up the vast majority of businesses, while large businesses account for fewer than 1%. While ideally, sampling would reflect this make-up, it would result in very few large organisations being sampled. As such, priority is on having sufficient sample for all sizes of organisation rather than representation. Data is unweighted.
- Weighting makes little difference to prevalence values, so this report uses unweighted values.



Nearly half (45%) use a total rem model for at least some employees

There are two types of methods to handle KiwiSaver employer contributions:

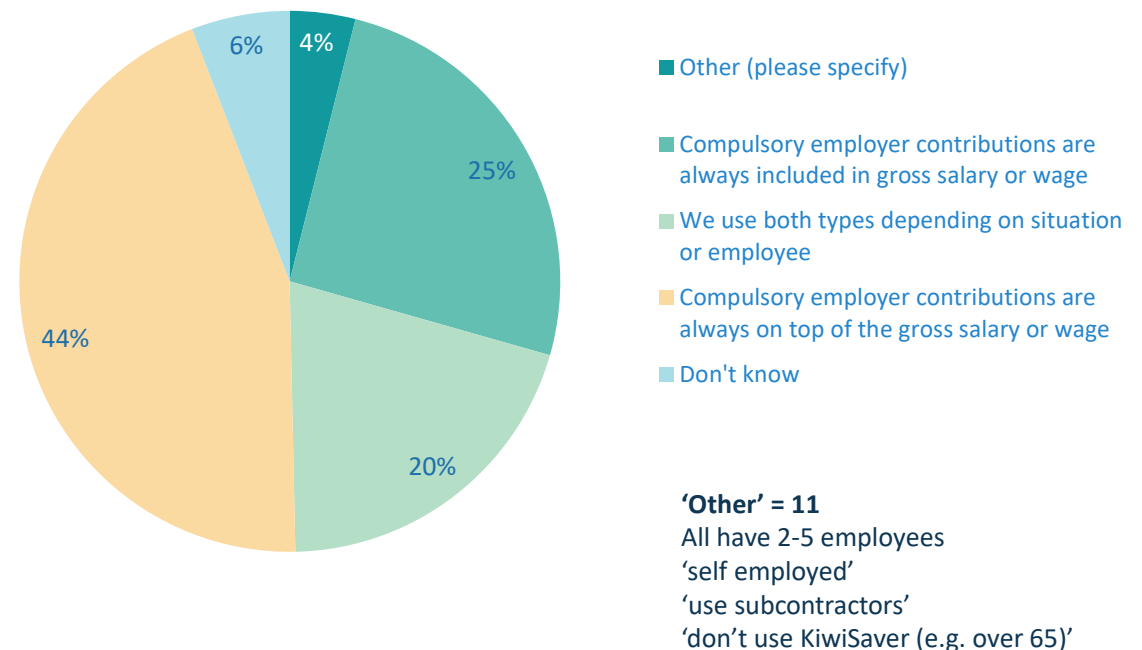
1. Contribution on top of pay: The employer makes compulsory contributions to an eligible employee's KiwiSaver scheme at a rate of x% on top of their salary or wage.

2. Contribution included in pay: The employee agrees that their base pay includes all compulsory employer contributions to their KiwiSaver. The employer's contribution is deducted from their pay, currently at a rate of x%.

Please remember, your answers are anonymous and confidential.

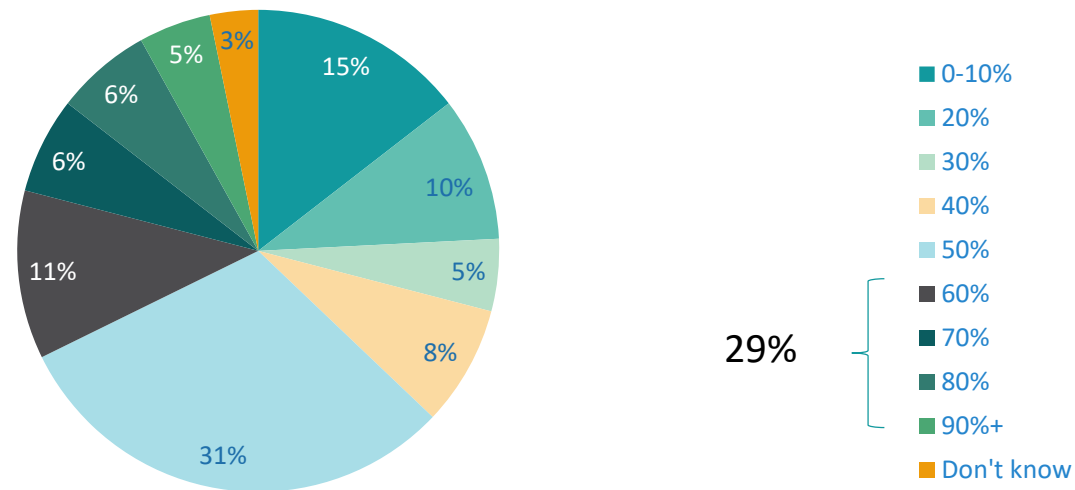
Total sample; Unweighted; base n = 306

Q9 - How does your organisation handle the KiwiSaver employer contributions?



Among those using a mixed model approach, 29% use it for the majority of employees.

Q10 - Roughly speaking, what proportion of your employees are paid with KiwiSaver included in their pay? [those who use a mixed model]

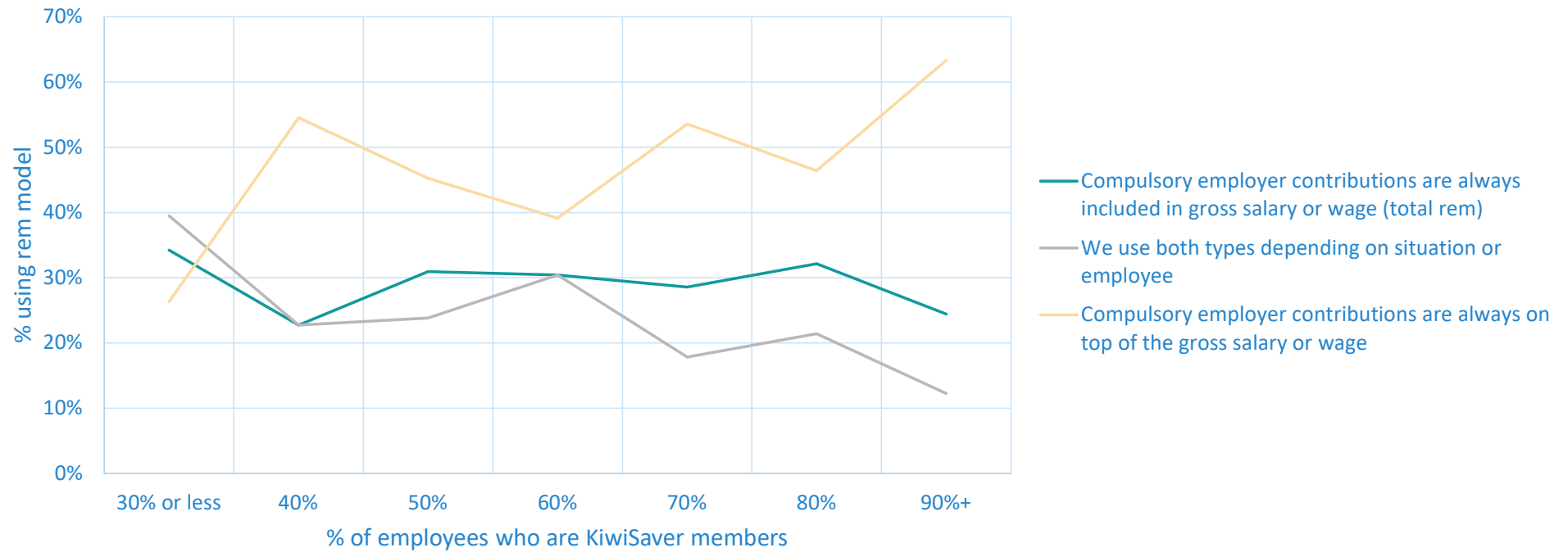


Total sample; Unweighted; base n = 62; total n = 306; 244 missing



KiwiSaver membership is highest in organisations that use an earnings plus KS approach.

Remuneration model by employee KiwiSaver membership



Nearly a third of those who use a total rem approach for at least some employees agree use of contractors/casual staff is a reason to do so. Total rem-only users are particularly likely to believe the model simplifies accounting.

42% (total rem)/40% (mixed) selected one or both options

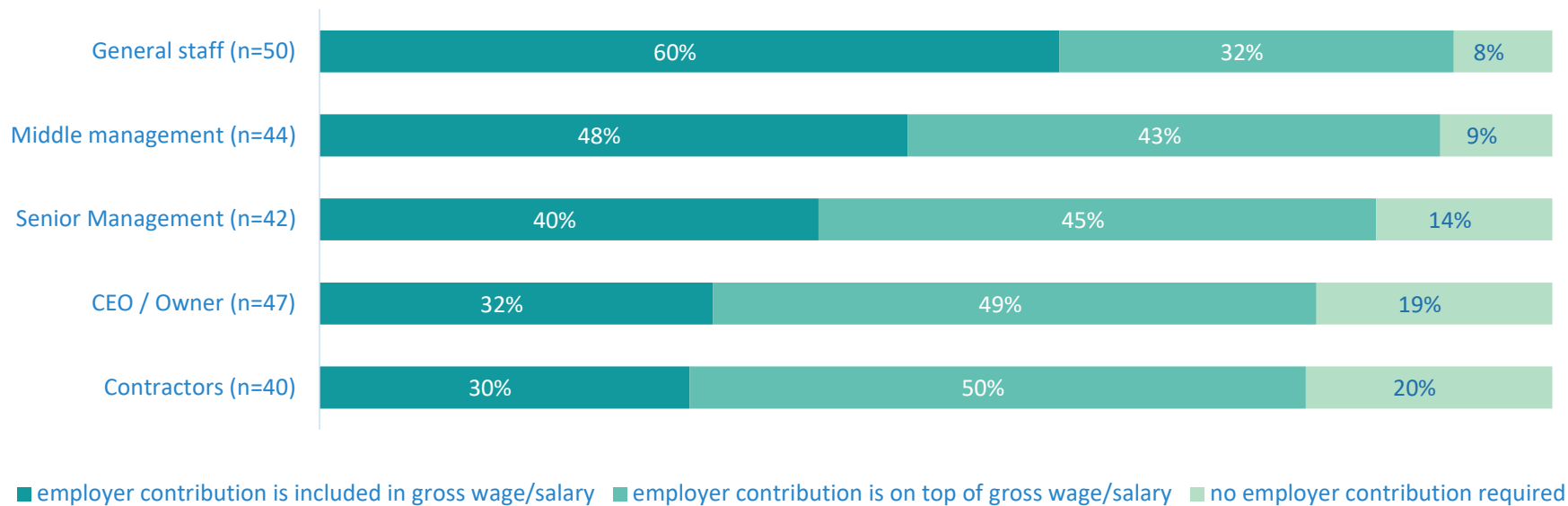
What are some of the reasons you chose this option?

[use Total Rem model at least some of the time] (select all that apply)



General staff are more likely than senior level staff to be on a total rem package in organisations that use a mixed model approach.

Remuneration model by employee type (who use mixed model)



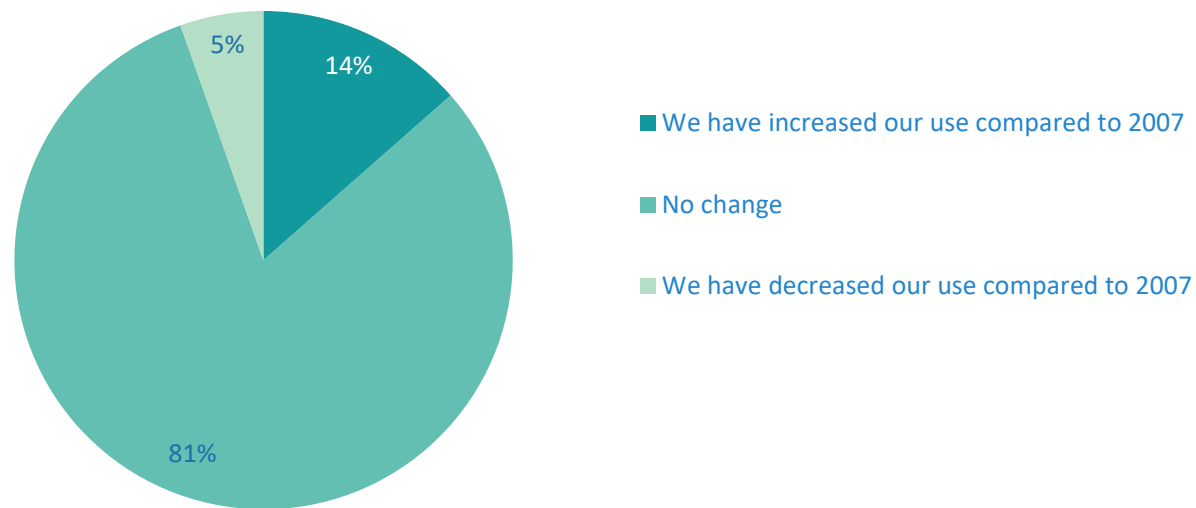
Total sample; Unweighted; base n = from 40 to 50



81% of companies formed prior to 2007 haven't made any change in their remuneration approach since prohibition of total rem was lifted in Dec 2007. Age of company makes no difference in prevalence of use of total rem (not shown).

How has your use of this type of remuneration package changed since Dec 2007

[use Total Rem model at least sometimes, formed 16 years ago or more]

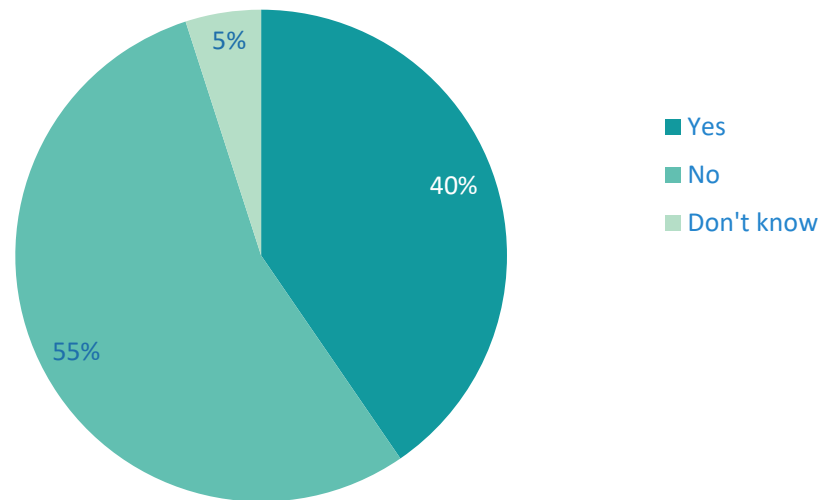


Total sample; Unweighted; base n = 37; total n = 306; 269 missing



Among those who always pay their contributions on top of gross salary/wage, 40% have considered using a total rem model but decided against it.

Have you considered using a remuneration model that includes the compulsory contribution in the gross salary/wage?
[don't currently use a Total Rem model]



Total sample; Unweighted; base n = 141; total n = 306; 165 missing



Transparency is a key reason for using a non-total rem model, although 49% haven't thought of contributing any other way. Contractual/legal reasons are given by 18%.

Q17 - Why does your organisation not use the alternative arrangement
(where KiwiSaver employer contributions are included in pay)? (select all that apply)



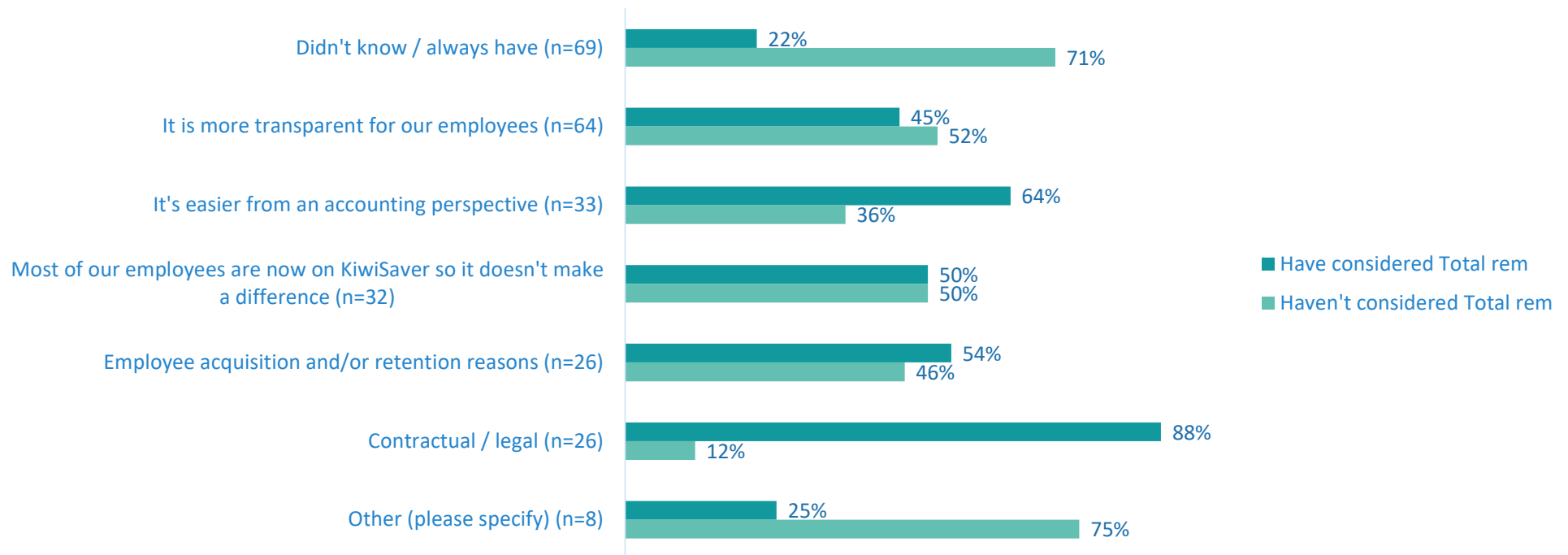
Total sample; Unweighted; base n = 141; total n = 306; 165 missing

*at least one option selected by an individual



Looking at those who have considered a total rem model but decided against it, contractual/legal reasons are identified as a barrier for most.

Why does your organisation not use total rem by consideration of total rem or not



Total sample; Unweighted; base n = 141; total n = 306; 165 missing



Summary

45% of participating businesses include the employer KiwiSaver contribution in gross salary/wage for at least some employees.

KiwiSaver membership is highest in organisations that use an earnings plus KiwiSaver approach

A mixed-model approach is associated with KiwiSaver membership levels below 30% (general-level staff more likely than senior-level staff to be on total rem in mixed model organisations).

Reasons given for using total rem only are simplicity of accounting, transparency and fairness. However, 21% state it is also cheaper for their business.

In this study, use of a total rem approach bears no relation to age, size, or type of organisation.

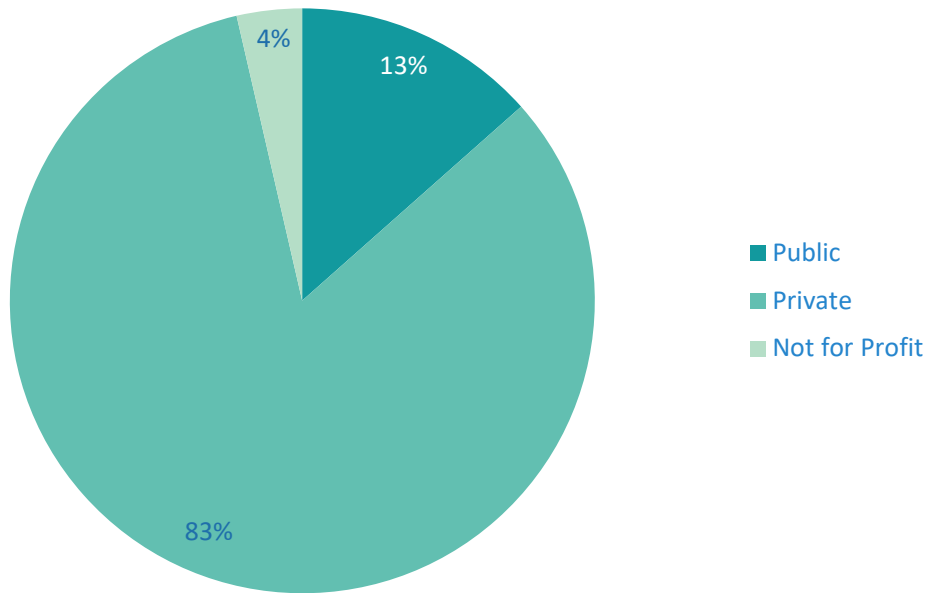


Appendices

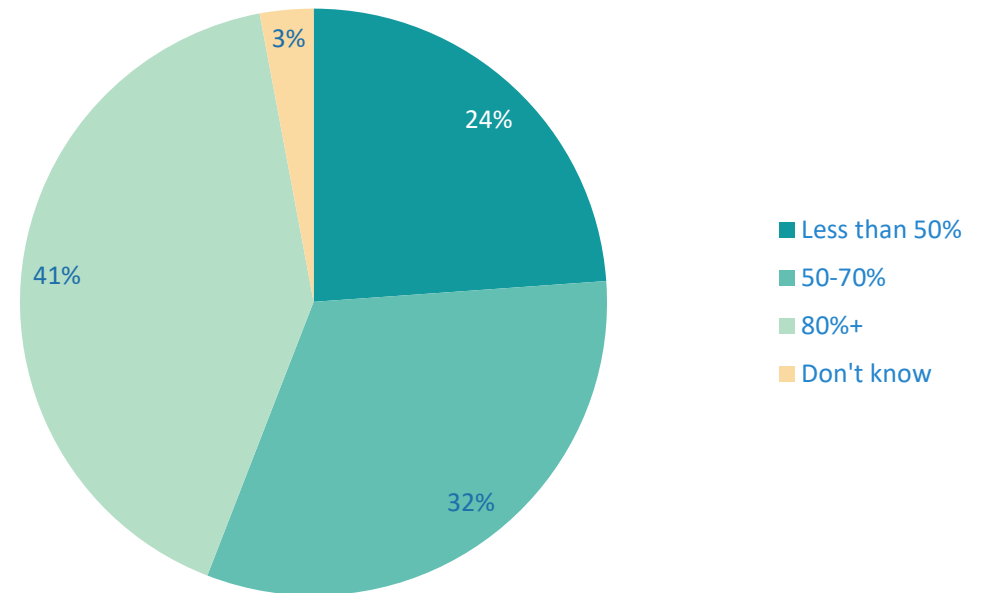


Demographics

Q5 - Are you a public or private organisation?



KiwiSaver membership

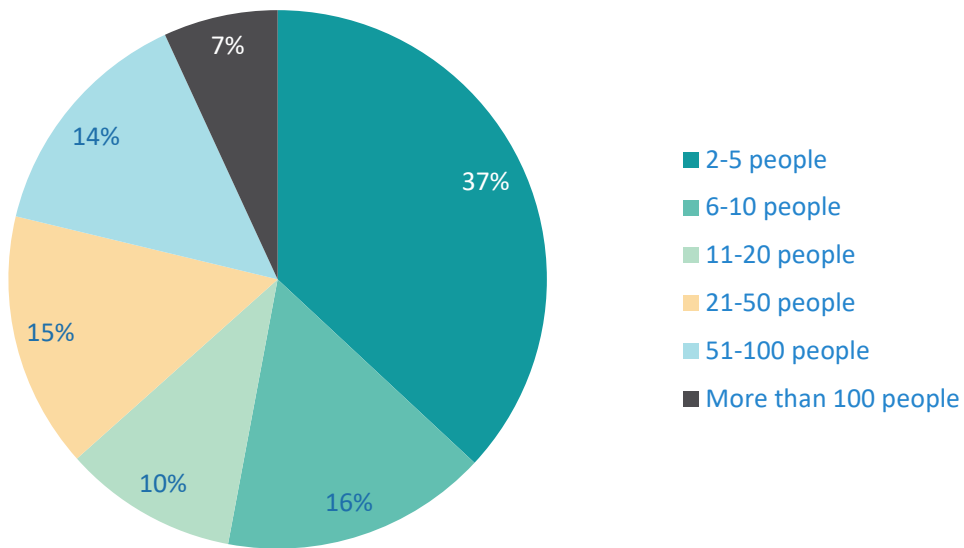


Total sample; Unweighted; base n = 305; total n = 306; 1 missing

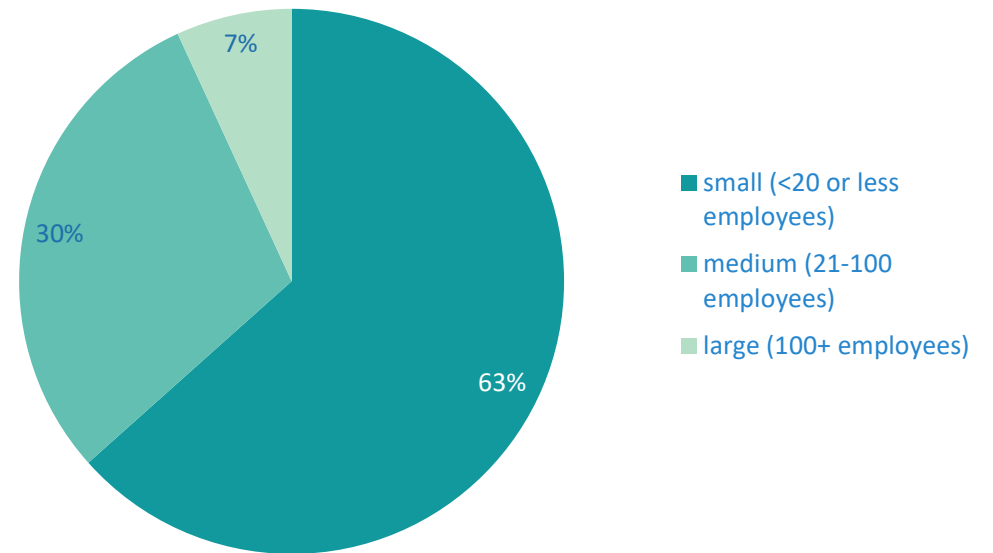


Demographics

How many people does your organisation employ for pay (ie not on an unpaid or voluntary basis)?



Organisation size



Total sample; Unweighted; base n = 306



Industry

	%	n
Other (please specify)	5%	14
Agriculture, Forestry and Fishing	6%	18
Mining	2%	5
Wholesale Trade	5%	16
Retail Trade	8%	25
Information Media and Telecommunications	4%	11
Financial and Insurance Services	6%	19
Rental, Hiring and Real Estate Services	3%	9
Professional, Scientific and Technical Services	10%	31
Education and Training	9%	27
Electricity, Gas, Water and Waste Services	3%	9
Manufacturing	8%	26
Construction	9%	28
Administrative and Support Services	3%	10
Accommodation and Food Services	5%	16
Transport, Postal and Warehousing	2%	6
Public Administration and Safety	1%	3
Health Care and Social Assistance	7%	21
Arts and Recreation Services	3%	9
None of the above	1%	3



Region

Where is your organisation located?

(If it operates in multiple locations, where is your head office located?)

